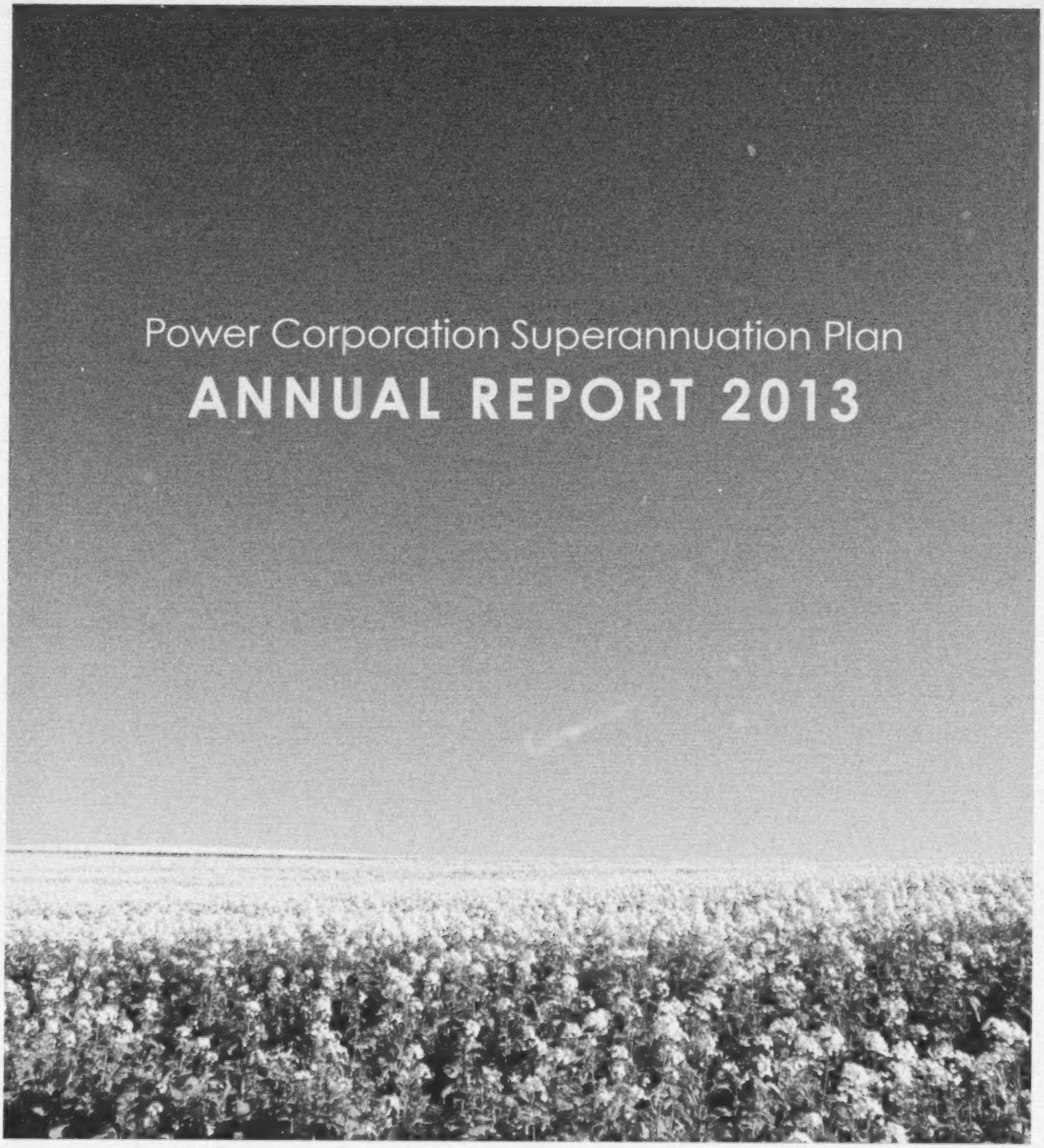


Power Corporation Superannuation Plan

ANNUAL REPORT 2013

SaskPower

Powering the future®

Year at a glance

- A pension benefit increase of 1.09% became effective April 1, 2013, representing 70% of the increase in the consumer price index (CPI) for Saskatchewan for the prior year.
- During 2013, the Plan paid $61 million in pensions.
- Investment earnings totalled $109 million.
- The Plan's actual return in 2013 was 15.0% compared to 12.6% for the benchmark return.
- Net assets available for benefits were $791 million at end of 2013, an increase of $45 million from 2012.
- The Plan ended 2013 with an accounting deficit of $103 million.

Fact

- According to the 2013 Canadian Pension Fund Overview published by the Canadian Institutional Investment Network, the Plan is ranked 169th in Canada in net assets and is the 7th largest defined benefit pension plan in Saskatchewan.

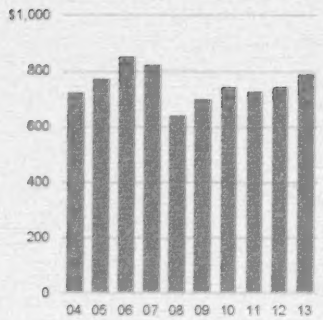
Mission statement

To provide continuous pension benefits for Plan members through prudent stewardship of assets and liabilities, as well as effective plan administration in accordance with current legislation.

Overview

Financial highlights

(in millions)	2013	2012
Investments		
Short-term	$ 3	$ 3
Bonds	249	262
Equities	447	389
Real estate	55	49
Infrastructure	35	38
Receivables	2	3
Cash	1	4
Total assets	792	748
Liabilities	1	2
Net assets available for benefits	791	746
Pension obligations	894	1,036
Deficit	$ (103)	$ (290)



NET ASSETS AVAILABLE FOR BENEFITS AS AT DECEMBER 31 (millions)

Changes in net assets available for benefits

(in millions)	2013	2012
Increases:		
Investment income	$ 26	$ 22
Increase in fair value of investments	91	56
Increase in fair value of currency hedges	-	3
	117	81
Decreases:		
Decrease in fair value of currency hedges	8	-
Pension obligation payments	61	59
Administration expenses	3	3
	72	62
Changes in net assets	$ 45	$ 19

SURPLUS / (DEFICIT) AS AT DECEMBER 31 (millions)

Investment performance

Rates of return (%)	2013	2012
Plan actual rate of return	15.0	11.6
Plan benchmark	12.6	9.2
Four-year rolling average return	9.4	9.0
Four-year rolling benchmark	9.3	9.2

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This report summarizes certain provisions of the Power Corporation Superannuation Plan (the Plan). This report does not create any rights to benefits not provided for in the actual terms of the Plan. In the event of any conflicts or omissions the legal requirements of the Plan will govern in all cases.

Chair's message

It is my pleasure to present to you the Power Corporation Superannuation Plan Annual Report for the year ending December 31, 2013. It is intended to provide Plan members with relevant information pertaining to their pension plan.

The Plan achieved an overall rate of return of 15%, its second highest rate of return in the last ten years, largely as a result of equity markets across the globe experiencing very strong returns. The Plan's asset classes, with the exception of bonds, generated impressive returns ranging from 12% to 47%. The Plan's US equities were the strongest at 47%, followed by the Plan's global equities at 40%, in part due to the strong performance of the investment managers. The Plan's Canadian equities were the poorest performing of the Plan's equities in 2013, but still saw a very strong return of 20%. The Plan's real estate and infrastructure asset classes also performed very well, at 12% and 18% percent respectively.

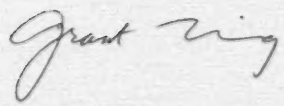
Canadian bond yields moved higher in 2013, which had a negative impact on fixed income returns. As a result, the Plan's fixed income portfolio performed very poorly, reaching a ten-year low return of -6%. In the past, fixed income has been a consistently strong performer in the Plan's portfolio given the previous year over year declines in long-term interest rates. As long-term interest rates continue to move up gradually, there will be continued negative pressure on fixed income returns going forward, although the Plan will be able to reinvest its earnings at higher yields.

The Plan's accounting valuation deficit decreased from $290 million at the end of 2012 to $103 million at the end of 2013. This $187 million decrease was primarily due to higher investment earnings in 2013 than forecast ($79 million); an increase in the discount rate applied to the Plan's pension liabilities (4.5% from 3.75% – $73 million); and a decrease in the inflation rate assumption (2.5% to 2% – $39 million). Although the accounting valuation still shows a significant deficit for the Plan, in fact the Plan's funded status is very good. A funding valuation is carried out a minimum of every three years, with an estimated funding valuation prepared during interim years. The most recent estimated funding valuation, for the year ending December 31, 2013, shows the funded status to be 97.5%, which reflects a deficit of just over $19 million. This shows that the Plan continues to be financially sound and well situated to provide benefits into the future.

In managing your Plan, the Board seeks a diversified portfolio to spread risk over a variety of asset classes. The Board monitors the performance of Plan's investment managers, as it relates to each manager's specific mandate, against pre-determined benchmarks. During the year, there was a change to the managers of the Plan's Canadian equity holdings. The Plan's two Canadian equity portfolios were transferred from Jarislowsky Fraser Limited and Greystone Management Investments to BlackRock Asset Management Canada Limited and Triasima Portfolio Investments Inc.

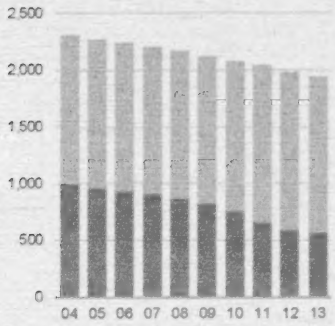
In the years ahead, the Plan will continue to face significant financial pressure as it relies on investment returns to fund pension obligations. Benefit payments are expected to peak in the next few years and 2014 may be the year that sees the last of the remaining active members retire — only100 members remain active going into 2014. The Board will continue to monitor investment choices in the future and work with its consultants to ensure assets of the Plan are prudently invested.

I thank the Board and staff for their work in 2013 and for their continued support as we move forward.



Grant Ring
Chair
Power Corporation Superannuation Board

The 2013 financial year



PLAN MEMBERSHIP (NUMBER OF MEMBERS)

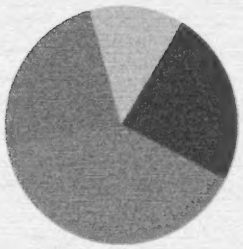
- SUPERANNUATES AND DEFERRED
- SURVIVORS
- ACTIVE

Plan profile

The Power Corporation Superannuation Plan (the Plan) originated with the passing of *The Power Commission Superannuation Act* in 1944. This defined benefit pension plan is governed by *The Power Corporation Superannuation Act* (the Act) of 1950 and *The Superannuation (Supplementary Provisions) Act*. The Power Corporation Superannuation Board is responsible for administering the Act. The Plan comprises members who were hired prior to October 1, 1977, and who did not elect to transfer to the defined contribution plan before October 1, 1978.

In accordance with the Act, the Saskatchewan Power Corporation (SaskPower) shall pay each member's basic pension, regardless of the financial status of the Plan. The value of the basic pension depends on a number of factors, including salary and years of service at retirement. Pension options, such as joint life of 60%, 75% or 100% and enhanced bridging, require the consideration of additional factors, such as a member's age and the spouse's age.

The Plan holds a well-diversified portfolio of bonds, equity, real estate and infrastructure investments. Net assets totalled $791 million at year-end, an increase of $45 million over the previous year. Of this total, approximately $445 million or 56% of assets was invested in Canadian bonds, equities, and real estate while the remaining 44% was invested in 27 different countries throughout the world. This diversification helps to maximize the return on assets and minimize the impact of volatility in individual markets.



2013 PENSIONERS BY AGE

- UNDER 60 **9%**
- 60-69 **24%**
- 70-79 **40%**
- 80-89 **23%**
- 90 OVER **4%**

Plan demographics

The Plan has been substantially closed to new members since October 1, 1977. As a result, the number of active members has decreased steadily, primarily through retirement.

Approximately 95% of total members are receiving benefits. At December 31, 2013, there were 1,834 receiving a pension, 6 eligible for a deferred pension and 100 active members.

Included in the Plan's active membership are SaskPower employees, as well as employees of SaskEnergy and other corporations that have been designated institutions by the Lieutenant Governor in Council. Effective June 28, 2001, these institutions were required to make contributions at a rate recommended by the Plan actuary.

Both members and employers (SaskPower and designated institutions) have contributed to funding. Since inception, cumulative contributions total $329 million. Of this amount, cumulative employer contributions represent 39% or $130 million of the total; cumulative 2009 binding court settlement payments by SaskPower total 25%, or $81 million; and cumulative employee contributions total 36%, or $118 million. During the year, the Plan paid $61 million in benefits, compared to $59 million in 2012.

At a minimum, an actuarial valuation for funding purposes is prepared every three years in accordance with *The Pension Benefits Regulations, 1993*. The SaskPower Board, in late 2011, approved a Power Corporation Superannuation Plan Funding Policy. SaskPower uses this policy as a guideline to ensure that the Plan is adequately funded. In accordance with the policy, no contributions were made by SaskPower during 2013.

While the cost of future benefits is increasing as pensioners live longer, rises in long-term interest rates have resulted in an increase in the discount rate, thereby driving down the projected pension deficit.

Significant communications and events

Annual benefits statements

During 2013, benefit statements were distributed for the year ending December 31, 2012, to all active and deferred members. These statements reflect basic pension information and are distributed annually.

Annual report

The Power Corporation Superannuation Plan Annual Report is made available to all members.

Pension communications

A Pension Communication Committee comprising superannuate, union and management representation helps improve members' understanding of Plan provisions while disseminating significant legislative changes. During the past 13 years, the committee has distributed the *Pension Update* newsletter to all members at least once a year.

Indexation

In the fall of 2006, the provincial government introduced legislation to set indexing for the Plan and other related provincial plans to 70% of the increase in the Saskatchewan consumer price index (CPI). Based on this methodology, an increase of 1.09% was granted in 2013.

Consistent investment performance

The Plan's overall return in 2013 was 15.0% compared to the benchmark of 12.6%. The Plan's investment managers continue to add value over a 10-year cycle with a 7.1% return versus the benchmark return of 6.4%.

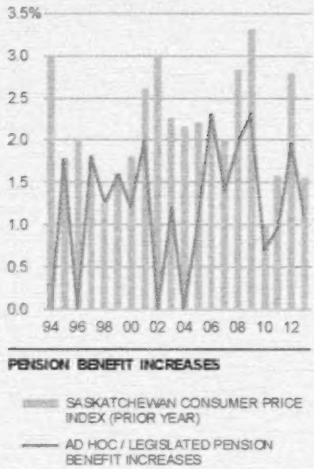
Deficit reduction

The Plan's actuarial deficit for accounting purposes at the end of 2013 was $103 million, a decrease of $187 million from the previous year end, primarily as a result of higher investment earnings than forecast, an increase in the discount rate to 4.50% from 3.75%, and a decrease in the inflation rate assumption from 2.5% to 2.0%.

Plan investment manager changes

During 2013, the Plan made some changes to its investment managers. The Plan transitioned the management of its Canadian equity portfolios, which totalled $135 million, from Jarislowsky Fraser Limited and Greystone Management Investments to BlackRock Asset Management Canada Limited and Triasima Portfolio Management Inc.

In late 2013, the Plan also entered into a US$15 million capital commitment to begin contributions in 2014 to a third infrastructure fund, Macquarie Infrastructure Partners III. This will be the Plan's second infrastructure investment to focus on the United States and Canada, and will be partially financed with an US$8 million distribution which the Plan received during 2013 from its investment in Macquarie Infrastructure Partners II.



Plan governance

Authority

The Power Corporation Superannuation Board is responsible for the overall governance and administration of the Plan. Board Members are appointed by the Lieutenant Governor in Council pursuant to *The Power Corporation Superannuation Act*. The mandate of the Board is to ensure the Plan is administered in accordance with the provisions of *The Power Corporation Superannuation Act*, *The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations*.

Role of the Board

The Board selects the Plan's actuary, custodian and investment managers, and sets the Plan's investment policy. The Board is also responsible for stewardship; overseeing the identification and management of principal risks; reviewing investment policies and the performance of investment managers; evaluating the pension obligation; adopting policies that provide effective communication and maintain the integrity of internal controls; and ensuring that the financial statements are audited by an independent external auditor.

The Board bases its decisions on comprehensive research and input from expert advisors and staff. The Board serves as a vital check to ensure the prudent management of the Plan's assets and monitors the Plan's overall administration to ensure that members, superannuates and survivors receive the benefits to which they are entitled by governing legislation.

Board composition

As at December 31, 2013

Grant Ring Chair Vice-president, Business Development, SaskPower	**Ken Pielak** Employee representative Unifor SaskEnergy (retired)	**Kerry Friesen** Superannuate Representative Power Pioneers Association Inc. SaskPower (retired)
Rachelle Verret Morphy Vice-chair Vice-president, Law, Land and Regulatory Affairs, General Counsel and Assistant Secretary SaskPower	**Dairen Beblow** Treasurer, Finance, SaskPower	
Robert Haynes SaskEnergy representative Vice-president, Human Resources and Corporate Affairs SaskEnergy	**Brian Ross** Employee representative International Brotherhood of Electrical Workers (IBEW) SaskPower (retired)	

Board Member training

Board Members bring forward the benefits associated with diverse experiences and a variety of professional attributes. However, it is important they are knowledgeable in pension related matters and that they remain current with respect to the many issues surrounding prudent management of a pension plan. To this end, annual training, development and maintenance for the Board (including travel and related costs) are paid for by the Plan. In 2013, Board Member training costs totalled $24 thousand.

These costs do not include any Board Member training that may have been paid by SaskPower or any other institution. Board Members do not receive compensation for their services.

Board and management

Although the Board is responsible for overseeing the administration of the Plan, SaskPower is responsible for its day-to-day operations. SaskPower staff that work with the Plan are expected to act within Board-approved policies and directives.

On a monthly basis, SaskPower staff members are involved in monitoring the activities of the investment managers and reviewing the asset mix. They are also the primary contacts for member inquiries. SaskPower staff report to the Board on a regular basis, providing summarized information relating to financial transactions, investments, retirement benefit activity and overall performance.

Independent experts

The Plan's Statement of Investment Policies and Procedures (SIP&P) provides guidelines for investment and monitoring assets. These principles were established to optimize the Plan's return on investments based on a given level of risk acceptable to the Board. The Board reviews the policies annually and changes are made as necessary. The policies outline a governance structure that allows the Board to retain the services of independent experts to assist it in fulfilling its responsibilities. The Board contracts independent actuarial and investment professionals, as well as a custodian.

The Board is required to meet at least quarterly with the investment advisor and annually with each of the investment managers to discuss past performance, strategies and expected future performance, as required by the SIP&P. As well, the Board reviews valuation results with the actuary. It also meets with the Plan's external auditor before and after the annual audit of the financial statements. In 2013, the Board met quarterly to review financial results, performance and retirement benefit activity.

Investment managers

Investment managers at December 31, 2013, were:

Asset class	Investment manager
Canadian equity	BlackRock Asset Management Canada Limited
Canadian equity	Triasima Portfolio Management Inc.
Bonds and real estate	Greystone Managed Investments Inc.
Global equity	Templeton Management Limited
International equity	Greystone Managed Investments Inc. sub-advised by Hansberger Global Investors
US equity	Lord, Abbett & Co. LLC
Infrastructure	Macquarie Capital Markets Canada Limited
Currency hedging	Mesirow Financial Investment Management Inc.

Investment managers are chosen based on their expertise and investment style within a particular asset class. The Board has a formal agreement with each investment manager that contains a mandate formulated to obtain an acceptable risk/return profile for each asset class. The investment managers report results to the Board on a regular basis.

Investment consultant

Aon Hewitt is the Plan's investment consultant and provides an analytical review of the total fund, asset classes and investment managers' performance. This assessment is completed relative to peer and plan benchmarks, as well as each manager's style and risk characteristics. The investment advisor subsequently comments on the acceptability of performance, while advising the Board on overall investment policy and management that would best achieve objectives.

Custodian

RBC Investor & Treasury Services (RBC I&TS) serves as custodian. In this role, RBC I&TS holds custody of assets and is responsible for executing investment transactions while collecting income. The custodian also provides record-keeping services and monitors investments to ensure they are in compliance with both individual investment manager mandates and the SIP&P.

Actuary

Aon Hewitt prepares annual actuarial valuations for accounting purposes. Every three years or as requested, Aon Hewitt also provides valuations for funding purposes. In addition to the valuations, the actuary provides the Board with information regarding administration, and makes recommendations related to benefit policies. The Actuarial Opinion and Cost Certificate is found on page 10.

Auditors

An independent external auditor, Deloitte LLP, was contracted to perform the 2013 annual audit of the Plan's financial statements. The audit is conducted in accordance with Canadian generally accepted auditing standards. Deloitte LLP's professional opinion on the financial statements is found in its Independent Auditor's Report, attached to the financial statements. On an annual basis, the Provincial Auditor reviews the independent external auditor's work on the financial statements. The Independent Auditor's Report is found on page 12.

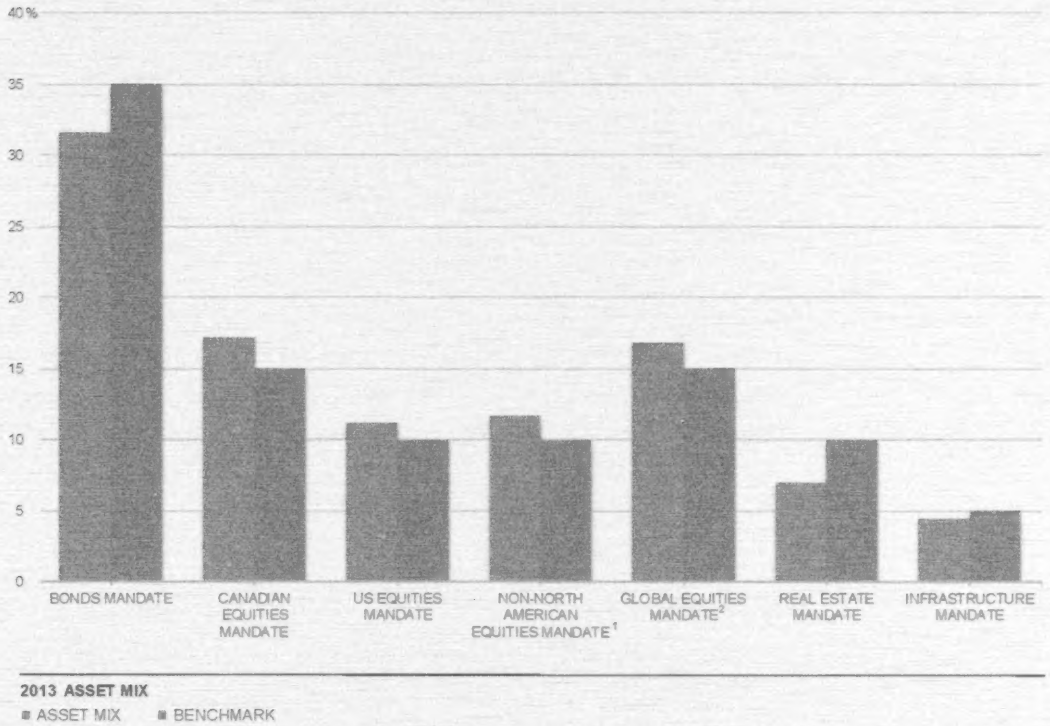
Investment highlights

Investment strategy

The investment objective of the Plan is to meet current and future pension payment obligations. Assets are invested in a diversified portfolio; the funds are placed with a number of investment managers for investment in a wide range of securities and asset classes. Managers are assigned specific mandates and their performance is monitored against pre-determined benchmarks. By holding a combination of different types of investments in a portfolio, the negative effect of fluctuations in the markets is minimized and the risk of having a large loss is reduced.

Investment policies

The Plan's SIP&P is approved by the Power Corporation Superannuation Board, and is consistent with *The Power Corporation Superannuation Act, The Superannuation (Supplementary Provisions) Act,* and *The Superannuation Acts Uniform Regulations.* The SIP&P communicates a philosophy of diversification and protection of capital to investment managers with an objective of optimizing the Plan's risk/return relationship. To achieve acceptable levels of diversification and risk control, the SIP&P sets out guidelines for asset mix, individual equity/bond holdings, industrial sector holdings, bond ratings and bond duration.



1. Excludes both Canadian and US equities.
2. Includes both Canadian and US equities.

At present, the target asset mix for the Plan is 50% equity, 35% bonds, 10% real estate and 5% infrastructure. The 50% target for equities is comprised of four equity mandates: 15% Canadian, 15% Global, 10% US, and 10% non-North American. The actual mix at any one time, however, may differ from this target due to fluctuations in the market. The Plan's asset mix at the end of the year was in compliance with the guidelines laid out in the SIP&P.

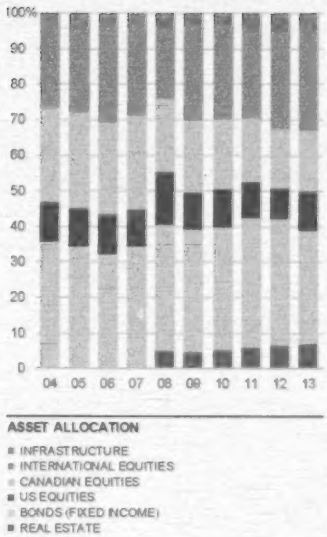
The Plan's primary investment objective is to achieve a return higher than the asset mix benchmark return. A secondary objective is to achieve a long-term rate of return of the average increase in the CPI for Canada plus 4% per annum. These two objectives should be viewed as an average annual compound rate to be sought over one or more complete capital market cycles or over a four to 10-year period.

A benchmark return, based on the actual return of a market index, is identified in the SIP&P for each of the Plan's investment mandates. The market index used for each mandate is as follows:

- DEX Long Bond Index for the bonds mandate;
- S&P/TSX Composite Index for the Canadian equity mandate;
- Russell 3000 Index for the US equity mandate;
- Morgan Stanley Capital International, Europe, Australia, Far East Index for the non-North American mandate;
- Morgan Stanley World Index for the global mandate;
- Investment Property Databank for the real estate mandate; and
- Consumer Price Index plus acceptable return approach for the infrastructure mandate.

The Plan's benchmark return has been determined using the actual returns of the above noted market indices, weighted based on the target asset mix for the investment mandate for which each index serves as a benchmark.

Monitoring performance is a key activity in supporting the investment objectives. The policies outline a benchmark portfolio comprising market index assets weighted at the same asset allocation that is normal for the Plan. While broadly diversified, the benchmark portfolio emphasizes equity over bond investments on the basis of substantial evidence that, over time, equities provide superior returns.

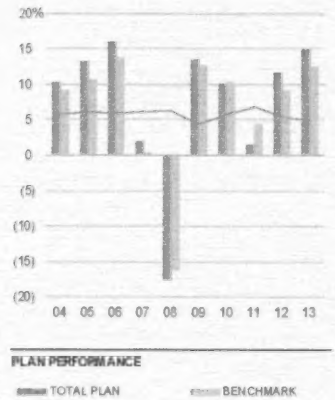


Investment performance

The Plan's performance is measured by comparing its return to the benchmark portfolio. During 2013, the Plan achieved a rate of return of 15.0%, compared to the benchmark return of 12.6%.

A common standard within the pension fund industry is to calculate performance on a four-year cycle and, where possible, on a 10-year cycle. These longer-term measures have greater relevance and lower volatility than a one-year measurement. Over the period 2010-2013, the Plan averaged an annual return of 9.4%, compared to the benchmark average of 9.3%. Over the past 10 years, the Plan has averaged an annual return of 7.1% compared to the benchmark of 6.4%.

While returns fluctuate from year to year, the underlying volatility of individual asset class returns is even more pronounced. Because the investment policies set out a diversification strategy designed to mitigate the effects of volatility, the Plan's returns have historically been more stable than the returns of any single asset class.



Financial highlights

During the year, equity markets rebounded significantly as the world economy appears to be stabilizing. Overall, the Plan ended the year with net assets available for benefits totalling $791 million, an increase of $45 million over the previous year. Over the past five years, the Plan has seen net assets available for benefits increase by $90 million while paying out $272 million in benefits.

In 2013, the Plan paid $61 million in benefits and $3 million in administrative expenses. The administrative expenses represent fees paid to the investment managers and custodian for managing and recording investments. These fees are based on the fair value of assets under management.

Actuarial valuation

The obligation of any defined benefit pension plan is to fulfill its pension promise — a commitment to provide lifetime periodic payments to eligible retired members. Meeting this pledge requires a sound financial base. To assess the financial status of the Plan, two methods are used to value the Plan:

- An actuarial valuation for accounting purposes is performed annually as September 30 and extrapolated to December 31.This valuation is based on best estimates, with the important exception of the discount rate which is prescribed by *International Financial Reporting Standards (IFRS,) IAS 19 (Revised),* and only takes into account the benefits already earned to date by current retirees, deferred members and active members, as well as contributions already received by the Plan.

- An actuarial valuation for funding purposes is required to be prepared every three years. It determines the long-term financial health of the Plan at current contribution rates. In preparing the funding valuation, the actuary projects the Plan's benefit costs (including inflation protection) and compares them to plan assets. Future contributions from active members and employers are then added using approved assumptions.

In 2013, the Plan recognized an actuarial deficit of $103 million for accounting purposes (financial statement reporting), compared to a $290 million deficit at the previous year end. The pension obligations decreased by $142 million, primarily as a result of higher investment earnings than forecast, an increase in the discount rate, and a decrease in the inflation rate assumption. Net assets available for benefits increased by $45 million.

Actuarial surplus (deficit) (in millions)	**2013**	2012
Net assets available for benefits	**$ 791**	$ 746
Pension obligations	**894**	1,036
Deficit	**$ (103)**	$ (290)

Actuarial methodology and assumptions

In completing an actuarial valuation, certain future events must be considered. A number of assumptions are made and future events are deemed to occur according to these assumptions. With the important exception of the discount rate, the actuarial assumptions are management's best estimate and attempt to arrive at the most likely outcome. The discount rate has been determined in accordance with *IFRS, IAS 19 (Revised).* The discount rate is prescribed to approximate the long term high quality Canadian Corporate bond yield as at December 31, 2013. Management expects the long term return on the Plan's investments to be greater than this rate.

The economic assumptions are based on published five-year forecasts, investment policy and specific characteristics of the Plan membership, with extrapolation to the end of the benefit period. To value the liabilities, the actuary examines the Plan's demographics — the age, length of service and salary ranges of the membership. Information is processed on active members, deferred members and pensioners, and surviving spouses who receive benefits. In addition, mortality, disability and termination of employment data are reviewed and factored into the valuation assumptions.

Economic actuarial assumptions	2013	2012
Discount rate, beginning of year	**3.75%**	4.25%
Discount rate, end of the year	**4.50%**	3.75%
Long-term rate of compensation increases	**2.00%**	2.00%
Long-term inflation rate	**2.00%**	2.50%
Assumptions for benefit increases (% of CPI)	**70.00%**	70.00%

The following illustrates the sensitivity of some of the major assumptions used in preparing the December 31, 2013, actuarial valuation:

Retirement age: Assuming a retirement age equal to the earliest age that a member can retire with a reduced pension would not change the deficit.

Discount rate: An increase in the discount rate of 0.5% (from 4.50% to 5.00%) would decrease liabilities, reducing the plan deficit by $43.3 million.

Inflation: An inflation rate assumption that is 0.5% lower than the assumed rate (2.00% to 1.50%) would increase the deficit by $12.5 million. A lower inflation rate reduces both the discount rate and future pension obligation increases. The impact of the lower discount rate, which increases the pension obligations, more than offsets the reductions that result from lower future benefit increases.

CPP at 67: By increasing the retirement age under the CPP to age 67 from age 65, the offset at age 65 under the Plan is effectively delayed for two years to age 67. This results in two years' worth of increased pension payments payable from the Plan, thus increasing the past and future service liabilities under the Plan and increasing the deficit by $1.9 million.

Mortality: An increase in the mortality assumption so that each member is one year younger would increase liabilities, increasing the plan deficit by $24.3 million.

Actuarial Opinion and Cost Certificate

Aon Hewitt was retained by the Power Corporation Superannuation Board (the "Board") to perform an actuarial valuation of the assets and the liabilities of the Power Corporation Superannuation Plan (the "Plan") as at December 31, 2013, for accounting information purposes. The accounting valuation was performed in accordance with the accounting valuation under Chapter 19 – "Employee Benefits" (IAS 19) (Revised) of the International Accounting Standards Board (IASB).

With the important exception of the discount rate, our valuation results have been determined using actuarial assumptions which may be considered "management's best estimate," with equal likelihood that over time the true liabilities will prove to be greater than or less than the amounts we have determined. The discount rate has been determined in accordance with International Financial Reporting Standards, IAS 19 (Revised).

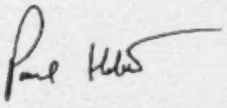
The valuation of the Plan's actuarial liabilities was based on:

- membership data provided by the Saskatchewan Power Corporation as at September 30, 2013;
- methods prescribed by the International Financial Reporting Standards, IAS 19 (Revised); and
- assumptions about future events (for example, future rates of inflation) which represent management's best estimate of these events.

The objective of the financial statements is to fairly represent the financial position of the Plan on December 31, 2013, as a going concern. While the actuarial assumptions used to estimate liabilities for the Saskatchewan Power Corporation's financial statements represent management's best estimate of future events with the important exception of the discount rate, and, while we do not render a specific opinion on these assumptions, they are not unreasonable when considering the circumstances of the Plan and the purpose of the valuation. The Plan's future experience will inevitably differ, perhaps significantly, from these actuarial assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations.

We have tested the data for reasonableness and consistency, and we believe it to be sufficient and reliable for the purpose of the valuation. We also believe that the methods employed in the valuation are appropriate for the purpose of the valuation. Our valuation has been performed in accordance with accepted actuarial practice in Canada.

The results of our accounting actuarial valuation disclosed total actuarial liabilities of $893,618,000 in respect of benefits accrued for service prior to December 31, 2013. The total value of assets was $790,597,000 at December 31, 2013. The accounting actuarial deficit as of December 31, 2013, is $103,021,000. The total cost of benefits to be accrued in the twelve months following December 31, 2013, is $0 as at December 31, 2013.



Paul Hebert
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries
January 31, 2014

Report of Management

The financial statements of the Power Corporation Superannuation Plan (the Plan) are the responsibility of management and have been prepared in accordance with Canadian accounting standards for pension plans. The preparation of financial statements necessarily involves the use of estimates based on management's best judgment, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the financial statements have been properly prepared within the framework of selected accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, information available up to March 13, 2014. The financial information presented in the Management's Discussion & Analysis (MD&A) and elsewhere in this report is consistent with that in the consolidated financial statements.

Management maintains appropriate systems of internal control which provide reasonable assurance that the Plan's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable, and accurate and that transactions are executed in accordance with management's authorization. This system includes policies and procedures, as well as the appropriate delegation of authority and segregation of responsibilities. SaskPower's internal audit department is consulted with regards to any proposed changes in controls to ensure their effectiveness.

The Power Corporation Superannuation Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. At regular meetings, the Board reviews audit, internal control and financial matters with management and the external auditors to satisfy itself that each is properly discharging its responsibilities. The annual report, financial statements and the Independent Auditor's Report have been reviewed and approved by the Board of Directors. The external auditor has full and open access to the Board of Directors with and without the presence of management.

The financial statements have been examined by Deloitte LLP, Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by the Crown Investments Corporation of Saskatchewan. The independent external auditor's responsibility is to express its opinion on whether the financial statements are fairly presented in accordance with Canadian accounting standards for pension plans.

On behalf of management,

D. R. John Scobie
Director, Business Analysis and Risk Management
SaskPower
March 13, 2014

Sandeep Kalra
Vice-president and Chief Financial Officer
SaskPower

Independent Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan:

We have audited the accompanying financial statements of the Power Corporation Superannuation Plan which comprise the statement of financial position as at December 31, 2013, and the statement of changes in net assets available for benefits and the statement of changes in pension obligations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Power Corporation Superannuation Plan as at December 31, 2013, and the changes in its net assets available for benefits and changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Deloitte LLP

Chartered Accountants
March 13, 2014
Regina, Saskatchewan

Statement of financial position

(in thousands)

As at December 31	2013	2012
Assets		
Investments *(Note 4)*		
Short-term	$ 2,429	$ 2,761
Bonds	248,480	261,986
Equities	446,850	389,251
Real estate	55,231	49,452
Infrastructure	34,994	37,689
	787,984	741,139
Receivables		
Accrued investment income	2,079	2,051
Other receivables	189	1,059
Employees' contributions	-	2
Sponsors' contributions	-	2
	2,268	3,114
Cash	1,333	3,500
Total assets	791,585	747,753
Liabilities		
Currency hedges *(Note 6)*	86	107
Accounts payable and other liabilities	902	1,645
	988	1,752
Net assets available for benefits	$ 790,597	$ 746,001
Pension obligations and deficit		
Pension obligations	$ 893,618	$ 1,035,998
Deficit	(103,021)	(289,997)
Pension obligations and deficit	$ 790,597	$ 746,001

See accompanying notes

On behalf of the Board:

Grant Ring
Chair

Dairen Beblow
Member

Statement of changes in net assets available for benefits

(in thousands)

For the year ended December 31	2013	2012
Increase in net assets		
Investment income		
Interest		
Short-term	$ 355	$ 365
Bonds	10,653	10,336
	11,008	10,701
Dividends	14,879	11,503
	25,887	22,204
Increase in fair value of investments	91,238	56,179
Increase in fair value of currency hedges	-	3,160
Contributions		
Employees'	3	104
Sponsors'	4	50
	7	154
Total increase in net assets	117,132	81,697
Decrease in net assets		
Decrease in fair value of currency hedges	8,083	-
Pension obligation payments	60,848	58,614
Refunds and transfers	106	467
Administrative expenses *(Note 10)*	3,499	3,177
Total decrease in net assets	72,536	62,258
Changes in net assets	44,596	19,439
Net assets available for benefits, beginning of year	746,001	726,562
Net assets available for benefits, end of year	$ 790,597	$ 746,001

See accompanying notes

Statement of changes in pension obligations

(in thousands)

For the year ended December 31	2013	2012
Increase in pension obligations		
Benefits accrued	$ 60	$ 1,865
Actuarial losses	-	55,239
Interest on obligations	37,709	40,827
Experience losses	-	8,755
	37,769	106,686
Decrease in pension obligations		
Benefits paid	60,848	58,614
Refunds and transfers	106	467
Actuarial gains	111,295	-
Experience gains	7,900	-
	180,149	59,081
Pension obligations, beginning of year	1,035,998	988,393
Pension obligations, end of year	$ 893,618	$ 1,035,998

See accompanying notes

Notes to the financial statements

1. Description of the Plan

The following description of the Power Corporation Superannuation Plan (the Plan) is a summary only. For more complete information, reference should be made to *The Power Corporation Superannuation Act, The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations.*

(a) General

The Plan is a defined benefit pension plan maintained by Saskatchewan Power Corporation (the Corporation; SaskPower) for those employees who were hired prior to October 1, 1977, and who did not elect to transfer to the Public Employees Pension Plan, a defined contribution plan, before October 1, 1978. The Plan is administered by a seven-person Board appointed by the Lieutenant Governor in Council.

(b) Employees' contributions

Plan members contribute a percentage of their salary at a rate based on the age when they last became a contributor to the Plan and any agreements for an employee group, less a reduction for Canada Pension Plan integration.

An employee makes no further contributions after 35 years of pensionable service.

(c) Sponsors' contributions

In accordance with *The Power Corporation Superannuation Act*, the Corporation contributes such amounts as are necessary to fund the payments provided by the Plan. Some Plan members are employees of other corporations that have been designated by the Lieutenant Governor in Council as institutions. For these corporations, an actuary determines the required employer contribution for their active Plan members.

(d) Retirement allowances

The Plan provides an unreduced retirement allowance at age 65 with at least five years pensionable service, at age 60 with at least 20 years pensionable service, or upon completion of 35 years pensionable service. Retirement allowances are based on 2% of the best five-year average annual salary multiplied by the years of pensionable service, up to a maximum of 35 years, subject to Canada Revenue Agency maximums. At age 65, the retirement allowance is reduced due to integration with the Canada Pension Plan for pensionable service from January 1, 1966.

Employees may retire with an early-reduced retirement allowance at age 55 with at least 30 years pensionable service, or at age 60 with at least 15 years pensionable service. Both age and service criteria must be met to be eligible for an early-reduced retirement.

Pension obligations are increased at a rate equal to 70% of the increase in the consumer price index (CPI) for Saskatchewan in the preceding calendar year. Increases are subject to the maximum increase permitted under the *Income Tax Act* (Canada).

(e) Survivors' allowances

Death benefits are available to a qualifying surviving spouse in the form of a survivor allowance. A qualifying surviving spouse is the spouse at the time of retirement. The retirement allowance paid to the spouse will be based upon the member's selection at retirement or at the time of conversion. Effective June 27, 2003, retired members who have had a change in marital status after retirement may apply to convert their retirement allowance to recognize their new spouse, provided certain criteria are met.

Members may select the basic retirement allowance that will pass 60% of the retirement allowance that they would have received to their spouse. Effective June 25, 1996, for death prior to age 65, the surviving spouse will receive 60% of the deceased member's lifetime retirement allowance, plus 60% of the bridge benefit (the amount due to Canada Pension Plan integration payable until the member would have turned age 65).

Alternatively, members may select the 75% (effective April 1, 2002) or the 100% option. The spouse will receive 75% or 100% of the lifetime retirement allowance, plus 75% or 100% of the bridge benefit, until the member would have turned age 65.

On and after June 28, 2001, and in the event of pre-retirement death, the spouse will receive a retirement allowance based upon the member's credited service as of the date of death. The survivor's allowance would be based on the greater of the basic retirement allowance of 60% plus any children's payments, or 100% actuarial equivalent. The spouse would receive the applicable percentage of the members' lifetime pension plus the bridge benefit.

Additional survivor benefits for dependent children may apply.

If no one is eligible to receive a survivor's allowance from the Plan, then the total of the member's contributions, plus legislated interest, less any retirement allowances paid up to the member's time of death, will be paid to his personal representative or nominee. If a personal representative or nominee is not identified by the member, this amount will be paid to a member of member's family, as the Board of Directors may direct.

(f) Deferred allowances

An employee who is at least 30 years of age and has at least 10 years continuous pensionable service may elect to receive a deferred allowance upon ceasing employment.

Subject to re-employment limitations pursuant to *The Superannuation (Supplementary Provisions) Act*, the earliest that a deferred member with at least 10 years pensionable service and up to 20 years pensionable service may commence an unreduced retirement allowance, is at age 65. The earliest that a deferred member with greater than 20 years pensionable service may commence an unreduced retirement allowance, is at age 60.

(g) Refunds and transfers

Upon ceasing employment and prior to becoming eligible to receive an unreduced retirement allowance, Plan members may elect to receive a refund of their contributions plus legislated interest as a lump-sum payment less statutory deductions; as a transfer to their registered retirement savings plan; or as a transfer pursuant to the terms of an existing reciprocal agreement with another registered pension plan. Once a refund or transfer has been processed, the member has no further claim against the Plan.

(h) Other benefits

Under certain circumstances, members may purchase additional credited service in the Plan.

(i) Income taxes

The Plan is a registered pension plan as defined in the *Income Tax Act* (Canada) and is not subject to income taxes. Retirement allowances paid from the Plan are subject to source deductions that are withheld by RBC I&TS on behalf of the Corporation and remitted to the Canada Revenue Agency.

2. Basis of Preparation

(a) Statement of compliance

The financial statements for the year ended December 31, 2013, have been prepared in accordance with Canadian accounting standards for pension plans as outlined in Part IV of the Chartered Professional Accountants (CPA) Handbook Section 4600, *Pension Plans*. For matters not addressed in Section 4600, the Plan follows the requirements of International Financial Reporting Standards (IFRS). The financial statements were authorized for issue by the Board of Directors on March 13, 2014.

(b) Functional and presentations currency

These financial statements are presented in Canadian dollars, which is the Plan's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

(c) Use of estimates and judgments

The preparation of the Plan financial statements in conformity with Canadian accounting standards for pension plans requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of the pension obligation, the fair value of investments and investment related receivables and liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(d) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2013, and have not been applied in preparing these financial statements. In particular, IFRS 9, *Financial Instruments*, for which the effective date of adoption has not been determined. The extent of the impact on adoption of this standard is not known at this time, but is not expected to be material. There are no plans to early adopt the new standard.

3. Summary of significant accounting policies

(a) Investment income

Investment income includes interest on bonds and short-term securities and dividend income. Income is recognized as interest is earned and at the ex-dividend date for declared dividends.

(b) Transaction costs

Broker commissions and other transaction costs are expensed to investment income as incurred.

(c) Foreign currency translation

Financial assets and liabilities denominated in foreign currency are translated to Canadian dollars using the rate of exchange in effect at the reporting date. Investments, revenues and expenses are translated at the rate prevailing at the transaction date. Foreign currency translation gains and losses are included in profit or loss in the period in which they arise.

(d) Financial instruments

i. Classification and measurement

The Plan classifies its financial instruments at fair value through profit or loss. All financial instruments are measured at fair value on initial recognition and recorded on the statement of financial position.

Financial instruments classified as fair value through profit or loss are subsequently measured at fair value, with changes in fair value recognized in the statement of changes in net assets available for benefits in increase/decrease in fair value of investments.

Derivative financial instruments, including forward exchange contracts are recognized as a financial asset or a financial liability on the trade date. All derivative financial instruments are classified as fair value through profit or loss and recorded at fair value on the statement of financial position as currency hedges. Subsequent changes in fair value of these derivative financial instruments are recognized in the statement of changes in net assets available for benefits as increase/decrease in fair value of currency hedges.

ii. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market at the measurement date.

The Plan has classified the fair value of its investments as level 1, 2, or 3 *(Note 5)* as defined below:

Level 1 – Fair values are determined using inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities to which the Plan has immediate access.

Investments in equities are recorded at fair value which is determined using year-end market prices from recognized security dealers. Transactions in equities are recorded as of the trade date.

Level 2 – Fair values are determined using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. To the extent possible, valuations reflect indicative secondary pricing for these securities. In all other circumstances, valuations are determined with reference to similar actively traded instruments.

Investments in bonds are recorded at fair value which is determined using year-end mid-market prices from a recognized security dealer. Transactions in bonds are recorded as of the trade date.

Derivative financial instruments, including forward exchange contracts, are valued at year-end quoted market prices.

Pooled funds are recorded based on the net asset value per unit of the underlying investments determined using year-end market prices.

Investments denominated in foreign currency are translated at the exchange rate in effect at year end. Investment transactions and realized gains and/or losses are translated at the exchange rate in effect at the transaction date. Unrealized gains and losses resulting from exchange differences are included in the determination of the change in fair value of investments.

Level 3 – Fair values are determined based on inputs for the asset or liability that are not based on observable market data. Real estate and infrastructure funds are recorded at fair value as estimated by independent appraisals.

(e) Adoption of new accounting standards

i. **IFRS 13, *Fair Value Measurement***
Effective January 1, 2013, the Plan prospectively adopted IFRS 13, *Fair Value Measurement*. This new standard establishes a single framework for measuring fair value. Under IFRS 13, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (an exit price). There was no impact upon the adoption of the new standard.

4. Investments

Schedule of investments

The investment objectives of the Plan are to ensure the Plan has sufficient assets to optimize the risk/return relationship of the Plan and to generate sufficient cash flows to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest the Plan's assets into a diversified pool of investments, such as Canadian and foreign equities, money market securities, bonds and alternative investments. The Plan's target asset mix is 50% equity, 35% debt (bonds), 10% real estate and 5% infrastructure.

The schedule below summarizes the Plan's investments as at December 31:

	2013	2012
Short-term		
Canadian	**$ 2,429**	$ 2,761
	2,429	2,761
Bonds		
Government of Canada and federally-guaranteed	**36,756**	51,375
Provincial and provincially-guaranteed *(Note 9)*	**140,858**	143,728
Canadian corporate	**70,866**	66,883
	248,480	261,986
Equities		
Canadian mandate	**135,333**	122,649
Global mandate	**132,167**	123,933
Non-North American mandate	**91,617**	78,428
US mandate	**87,733**	64,241
	446,850	389,251
Alternatives		
Real estate	**55,231**	49,452
Infrastructure	**34,994**	37,689
	90,225	87,141
Total investments	**$ 787,984**	$ 741,139

Short-term

The Plan's short-term investments are highly rated by a rating agency with respect to likelihood of repayment (R1 rated by Dominion Bond Rating Service or equivalent for other rating agencies) in accordance with the Plan's SIP&P. At December 31, 2013, the majority of the Plan's short-term investments mature witnin 32 to 296 days (2012 – 2 to 115 days) at an average yield of 0.8% (2012 – 0.2%).

Bonds

The Plan's bond portfolio is invested as follows:

		2013		2012	
	Years to maturity	Fair Value	Average coupon (%)	Fair Value	Average coupon (%)
Federal bonds	1-5	**$ -**	**-**	$ -	-
	6-10	**-**	**-**	2,724	1.50
	11-15	**-**	**-**	-	-
	16-20	**-**	**-**	28,487	5.75
	20+	**36,756**	**3.86**	20,164	4.74
		36,756		51,375	
Provincial bonds	1-5	**-**	**-**	-	-
	6-10	**10,961**	**3.83**	11,672	3.28
	11-15	**12,852**	**5.55**	10,006	6.08
	16-20	**70,336**	**6.21**	82,149	6.20
	20+	**46,709**	**4.58**	39,901	5.03
		140,858		143,728	
Corporate bonds	1-5	**-**	**-**	-	-
	6-10	**-**	**-**	-	-
	11-15	**3,001**	**6.77**	3,283	6.77
	16-20	**7,906**	**7.10**	10,261	7.19
	20+	**59,959**	**5.79**	53,339	6.02
		70,866		66,883	
Total bonds		**$ 248,480**		$ 261,986	

Equities

The Plan's equity investments consist of both segregated and pooled fund investments. In 2013 the Plan held $446,850 (2012 – $389,251) in equities. Of this total, 30% or $135,333 (2012 – 32% or $122,649) of the Plan's equities were invested in Canada, with the remaining 70% or $311,517 (2012 – 68% or $266,602) invested in mandates outside of Canada.

Dividends are generally declared on a quarterly basis. These investments have no fixed maturity date and are generally not directly exposed to interest rate risks.

Segregated

Segregated investments are limited to stocks that are publicly traded on a recognized stock exchange.

		2013		2012	
	Asset class	Fair value	% of Plan investments	Fair value	% of Plan investments
Templeton Management Limited	Global equity	$ 132,167	16.8	$ 123,933	16.7
Lord, Abbett & Co. LLC	US equity	87,733	11.1	64,241	8.7
Jarislowsky Fraser	Canadian equity	3	-	64,390	8.7
Greystone Managed Investments Inc.	Canadian equity	-	-	52,446	7.1
Triasima Portfolio Management Inc.	Canadian equity	67,361	8.5	-	-
Total segregated equity assets		$ 287,264	36.4	$ 305,010	41.2

Pooled funds

A pooled fund contains funds from many individual investors that are aggregated for the purpose of investment. The unit price of the pooled fund is determined by the overall performance of each of the assets in the fund. The pooled funds breakdown is as follows:

		2013		2012	
	Asset class	Fair value	% of Plan investments	Fair value	% of Plan investments
Greystone Managed Investments Inc. [1]	Non-North American equity	$ 91,617	11.6	$ 78,428	10.6
Jarislowsky Fraser [2]	Canadian equity	-	-	5,813	0.8
BlackRock Asset Management Canada Limited [3]	Canadian equity	67,969	8.6	-	-
Total pooled fund equity assets		$ 159,586	20.2	$ 84,241	11.4

1. Greystone Managed Investments Inc. has delegated the management of these funds to Hansberger Global Investors.
2. The Jarislowsky Fraser Special Equity Pooled fund is managed by Jarislowsky Fraser Ltd. and used to purchase less liquid, smaller or special Canadian equity positions.
3. The BlackRock Active Canadian Equity Fund is managed by BlackRock Asset Management Canada Limited and used to purchase less liquid, smaller or special Canadian equity positions.

Real estate

The Plan's real estate portfolio is a Canadian-based pooled fund that is diversified through all parts of Canada and holds office, retail and industrial properties.

		2013		2012	
	Asset class	Fair value	% of Plan investments	Fair value	% of Plan investments
Greystone Managed Investments Inc.	Real estate	$ 55,231	7.0	$ 49,452	6.7
Total real estate assets		$ 55,231	7.0	$ 49,452	6.7

Infrastructure

The Plan's infrastructure portfolio is split between three funds, one based primarily in Europe and the other two focused on the United States and Canada, as follows:

	2013				2012
	Capital commitment	Net cash contributed	Undrawn capital commitment	Undrawn capital commitment CDN	Fair value of investment CDN	Fair value of investment CDN
Macquarie Infrastructure Partners II Fund	$ 15,000 USD	$ 13,523 USD	$ 1,477 USD	$ 1,571	$ 12,530	$ 17,953
Macquarie Infrastructure Partners III Fund	15,000 USD	- USD	15,000 USD	15,954	-	-
Macquarie European Infrastructure Fund III	11,250 EUR	11,250 EUR	- EUR	-	22,464	19,736
Total				$ 17,525	$ 34,994	$ 37,689

Infrastructure managers use internal valuation policies to establish a fair value for the underlying assets within their portfolios. The valuations are prepared quarterly and take into account several variables:

- Purchase price
- Market conditions (e.g., interest rates, exchange rates, inflation)
- Discounted cash flows
- Macroeconomic factors
- Operational factors

The above variables involve various economic, operational and financial assumptions.

5. Financial instruments

The following table categorizes the Plan's financial instruments, by level (refer to *Note 3e*).

	2013				2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash	$ 1,333	$ -	$ -	$ 1,333	$ 3,500	$ -	$ -	$ 3,500
Short-term	2,429	-	-	2,429	2,761	-	-	2,761
Bonds	-	248,480	-	248,480	-	261,986	-	261,986
Equities	287,264	159,586	-	446,850	305,010	84,241	-	389,251
Real estate	-	-	55,231	55,231	-	-	49,452	49,452
Infrastructure	-	-	34,994	34,994	-	-	37,689	37,689
Currency hedging	-	(86)	-	(86)	-	(107)	-	(107)
Total	$ 291,026	$ 407,980	$ 90,225	$ 789,231	$ 311,271	$ 346,120	$ 87,141	$ 744,532

Note: Accounts receivable, accounts payable and other liabilities are all short-term in nature and as such their carrying value approximates fair value.

During the year ended December 31, the reconciliation of investments measured at fair value using unobservable inputs (level 3) is presented as follows:

	2013			2012		
	Real estate	Infrastructure	Total	Real estate	Infrastructure	Total
Beginning balance, January 1	$ 49,452	$ 37,689	$ 87,141	$ 43,950	$ 29,909	$ 73,859
Purchases	-	-	-	-	3,601	3,601
Return of capital	-	(9,855)	(9,855)	-	(210)	(210)
Change in unrealized gains (losses)	5,779	7,160	12,939	5,502	4,389	9,891
Ending balance, December 31	$ 55,231	$ 34,994	$ 90,225	$ 49,452	$ 37,689	$ 87,141

6. Currency hedges

The Plan has entered into foreign exchange forward contracts to hedge some of its foreign currency exposure in foreign equity and infrastructure. Foreign exchange forward contracts are obligations in which two counterparties agree to exchange one currency for another at a specified exchange rate for settlement on a predetermined date in the future.

The Plan's objective for the active currency manager is to mitigate the impact foreign exchange rates have on the Plan. The Board has approved a benchmark hedge ratio of 50% of the portfolio of managed currencies, although the manager has the discretion to hedge between 0% and 100% of the portfolio of managed currencies.

At December 31, 2013, the Plan's total foreign currency exposure, before currency hedges, was $346,343 (2012 – $306,435). Based on the exchange rates at December 31, 2013, the forward contracts fair value is an unrealized loss of $86 (2012 – unrealized loss of $107). All contracts at December 31, 2013, have a maturity date of March 27, 2014.

The following summarizes the Plan's use of foreign exchange forward contracts within the currency hedge program:

	2013			2012		
	Notional value	**Fair value gain (loss)**	**Managed portfolio net exposure %**	Notional value	Fair value gain (loss)	Managed portfolio net exposure %
United States dollar	**$ (91,732)**	**$ 267**	**42.2**	$ (71,260)	$ (115)	44.5
Euro	**(41,782)**	**(466)**	**40.9**	(26,404)	(236)	55.8
British pound sterling	**(21,457)**	**(221)**	**35.5**	(25,179)	(262)	25.8
Japanese yen	**(17,244)**	**453**	**25.3**	(8,701)	620	50.1
Hong Kong dollar [1]	**-**	**-**	**50.0**	-	-	51.9
Swiss franc	**(11,237)**	**(119)**	**40.5**	(8,081)	(114)	50.0
Total	**$ (183,452)**	**$ (86)**		$ (139,625)	$ (107)	

1. The Hong Kong dollar is proxy hedged with the United States dollar.

Notional value represents the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows and is therefore not recorded in the financial statements. Net exposure is the percentage of investments denominated in foreign currency that are not hedged through forward exchange contracts.

7. Financial risk management

(a) Market risk

The Plan invests in publicly traded equities and bonds available on domestic and foreign exchanges. These securities are affected by market changes and fluctuations. The Plan manages market risk by diversifying its investments in both domestic and foreign markets and through the establishment and review of asset mix ranges and limits for various investments.

Interest rate risk

Interest rate risk refers to the adverse impact that interest rate changes have on the Plan's investment returns and financial position. On the investment side, when interest rates fall the fair value of bonds rise, while the yields on new investments in bonds fall.

As at December 31, 2013, had prevailing interest rates increased or decreased by 1.0%, assuming a parallel shift in the yield curve and all other variables held constant, the fair value of the Plan's bond holdings would have decreased or increased (respectively) by approximately 14%, or $33,793 (2012 – 14%, or $35,448). The bond holdings' sensitivity to interest rate fluctuations was estimated using the weighted average duration of the bond holdings. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Foreign currency risk

Foreign currency exposure arises from the Plan holding assets denominated in currencies other than the Canadian dollar. Fluctuations in the relative value of the Canadian dollar against these foreign currencies result in a positive or negative effect on the fair value on the Plan's net assets. The Plan's foreign currency exposure expressed in equivalent Canadian dollars and excluding the impact of currency hedges is as follows:

	2013		2012	
	Fair value	% of Plan assets	Fair value	% of Plan assets
Global [1]	$ 132,291	16.7	$ 124,196	16.6
Non-North American [2]	91,169	11.5	78,111	10.4
US [3]	88,022	11.1	67,103	9.0
Infrastructure [4]	34,861	4.4	37,025	5.0
Total foreign currency exposure	$ 346,343	43.7	$ 306,435	41.0

1. Templeton Management Limited was retained to invest Plan assets in international equities on a segregated basis.
2. These assets are pooled equity funds and are part of the Greystone Managed Investments Inc. mandate. The management of these funds has been delegated to Hansberger Global Investors.
3. These assets are US equity investments which are managed by Lord, Abbett & Co. LLC.
4. Macquarie Capital Markets Canada Limited manages the infrastructure assets for the Plan. The allocation is currently split between two funds, one European based and the other focused on the United States and Canada. During 2013 the Plan entered into a capital commitment to begin contributions in 2014 into a third fund, which also has a focus on the United States and Canada.

The foreign currency exposure in the Plan, in Canadian dollars, can be further broken down as follows:

	2013			2012		
	Exposure prior to hedging	Currency hedging	Net exposure	Exposure prior to hedging	Currency hedging	Net exposure
United States dollar	$ 157,331	$ (104,103)	$ 53,228	$ 128,933	$ (62,062)	$ 66,871
Euro	69,563	(41,782)	27,781	60,644	(26,404)	34,240
British pound sterling	31,626	(21,457)	10,169	34,147	(25,179)	8,968
Japanese yen	22,224	(17,244)	4,980	16,490	(8,701)	7,789
Hong Kong dollar	22,087	12,371	34,458	21,274	(9,198)	12,076
Swiss franc	18,988	(11,237)	7,751	16,815	(8,081)	8,734
Other	24,524	-	24,524	28,132	-	28,132
Total	$ 346,343	$ (183,452)	$ 162,891	$ 306,435	$ (139,625)	$ 166,810

To manage the Plan's foreign currency risk, in 2009 the Board approved currency management to manage a portion of the Plan's exposure to changes in the value of foreign currencies. Currency exposure management began in the first quarter of 2010 (refer to *Note 6*).

As at December 31, 2013, assuming the Canadian dollar appreciated or depreciated by 10% compared to the following foreign currencies, the fair value of the Plan's net assets would have decreased or increased (respectively) by the following amounts (assuming all other variables held constant):

Currency	Change in value of Canadian dollar	2013	2012
United States dollar	+/- 10%	+/- $ 5,323	+/- $ 6,687
Euro	+/- 10%	+/- 2,778	+/- 3,424
British pound sterling	+/- 10%	+/- 1,017	+/- 897
Japanese yen	+/- 10%	+/- 498	+/- 779
Hong Kong dollar	+/- 10%	+/- 3,446	+/- 1,208
Swiss franc	+/- 10%	+/- 774	+/- 873
Other	+/- 10%	+/- 2,452	+/- 2,813
Total fair value impact		+/- $ 16,288	+/- $ 16,681

Equity price risk

The Plan is exposed to changes in equity prices in Canadian, US and global markets. Equities comprise 57% (2012 – 53%) of the carrying value of the Plan's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity.

The following table indicates the approximate increase or decrease in net assets available for benefits had equity values at December 31, 2013, increased or decreased (respectively) by 10% assuming all other variables held constant. Due to active management, the Plan's portfolio does not correlate directly to any market indices.

	Change in market prices	2013	2012
Canadian equities	+/- 10%	+/- $ 13,533	+/- $ 12,265
US equities	+/- 10%	+/- 14,451	+/- 10,808
International equities [1]	+/- 10%	+/- 16,701	+/- 15,852
Total fair value impact on equities	+/- 10%	+/- $ 44,685	+/- $ 38,925

1. International equities are exclusive of Canadian and US equities.

Securities collateral

At December 31, 2013, no Plan assets have been deposited or pledged as collateral or margin. As part of the Plan's securities lending activity, collateral has been pledged to the Plan by various counterparties for securities out on loan to the counterparties. At December 31, 2013, the total amount of collateral pledged to the Plan amounted to $92,961 (2012 – $87,483). Security lending obtains collateral of a minimum of 102% of the fair value of the securities lent. Such security loans must be secured by cash and/or readily marketable government bonds, treasury bills and /or letters of credit, discount notes and banker's acceptances of Canadian chartered banks.

Real estate and infrastructure price risk

Risk in the real estate portfolio is managed through diversification across types and locations. Adverse impacts in any one segment of the market or geographic location are minimized by having holdings diversified across property type, geographic location and investment size. Risk in the infrastructure portfolio is also managed through diversification across types and locations.

(b) Credit risk

Credit risk arises from the potential for a debtor or for a counterparty to default on its contractual obligation to the Plan. The Plan limits the credit risk by diversifying its investment portfolio and dealing with counterparties that are considered to be high quality. The credit ratings used to describe these securities are based on the Dominion Bond Rating Service.

The maximum credit risk to which the Plan is exposed at December 31, 2013, is limited to the carrying value of the financial assets summarized as follows:

	2013 Carrying value	2012 Carrying value
Short-term	$ 2,429	$ 2,761
Bonds	248,480	261,986
Receivables	2,268	3,114
Securities lending cash collateral	88,535	83,317
Cash	1,333	3,500
Total credit risk	**$ 343,045**	$ 354,678

Credit risk within investments is primarily related to bonds and short-term investments. It is managed through the investment policy that limits debt instruments to those of high credit quality (minimum rating for short-term investments is R1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

The Plan invests in bonds that are investment grade (minimum credit rating of BBB) by a recognized rating agency which reflects a high likelihood of repayment. Federal and federally guaranteed bonds have a credit rating range of AA to AAA, provincial and provincially guaranteed bonds have a credit rating range of A to AA, and corporate bonds have a credit rating range of BBB to AA.

Debt rating	2013 Fair value	2013 % of bond portfolio	2012 Fair value	2012 % of bond portfolio
AA or higher	$ 137,185	55.2	145,570	55.6
A	98,709	39.7	105,904	40.4
BBB	12,586	5.1	10,512	4.0
Total bonds	**$ 248,480**	**100.0**	$ 261,986	100.0

Receivables are primarily made up of accrued investment income and investment disposals. Accrued investment income is received on the next scheduled payment date, generally either annually or semi-annually. Proceeds of investment disposals are generally received within three days.

For securities lent, the Plan receives a fee and the borrower provides cash or readily marketable securities of higher value as collateral which mitigates the credit risk associated with the securities lending program. At year-end, securities loaned out at had an estimated fair value of $88,535 (2012 – $83,317), while collateral held had an estimated fair value of $92,961 (2012 – $87,483).

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its financial commitments as they become due or can do so only at excessive cost. The Plan manages liquidity risk by maintaining adequate cash and short-term investments and monitoring actual and forecasted cash flows to support the Plan's operating needs.

8. Pension obligations

In 2013 and 2012, the actuarial valuations for accounting purposes were performed by Aon Hewitt, and were measured at September 30 and extrapolated to December 31. The actuarial valuation for accounting purposes is performed on an annual basis; the next valuation is scheduled for September 30, 2014.

Every three years or as requested, Aon Hewitt also provides valuations for funding purposes. The Plan valuation for funding purposes was last filed for the December 31, 2011, year end, and must be filed for the December 31, 2014 year end.

The present value of pension obligations is determined using the projected benefit method prorated on service and, with the important exception of the discount rate, reflects management's best estimates of future investment performance, wage and salary escalation, age at retirement and future pension indexing. The actuarial present value of pension obligations is deducted from the net assets available for benefits to calculate the actuarial deficit for accounting purposes.

The assumptions used in determining the actuarial value of pension obligations may change from year to year depending on current and long-term market conditions. The following is a summary of the actuarial assumptions:

	2013	2012
Discount rate, beginning of year	**3.75%**	4.25%
Discount rate, end of the year	**4.50%**	3.75%
Long-term rate of compensation increases	**2.00%**	2.00%
Long-term inflation rate	**2.00%**	2.50%
Assumptions for benefit increases (% of CPI)	**70.00%**	70.00%

The mortality table used for 2013 is the 1994 Uninsured Pensioner Mortality Table with generational projection using scale AA.

The following illustrates the sensitivity of some of the major assumptions used in preparing the December 31, 2013, actuarial valuation:

Retirement age: Assuming a retirement age equal to the earliest age that a member can retire with a reduced pension would not change the deficit.

Discount rate: An increase in the discount rate of 0.5% (from 4.50% to 5.00%) would decrease liabilities reducing the plan deficit by $43.3 million.

Inflation: An inflation rate assumption that is 0.5% lower than the assumed rate (from 2.00% to 1.50%) would increase the deficit by $12.5 million. A lower inflation rate reduces both the discount rate and future pension obligation increases. The impact of the lower discount rate, which increases the pension obligations, more than offsets the reductions that result from lower future benefit increases.

CPP at 67: By increasing the retirement age under the CPP to age 67 from age 65, the offset at age 65 under the Plan is effectively delayed for two years to age 67. This results in two years' worth of increased pension payments payable from the Plan, thus increasing the past and future service liabilities under the Plan and increasing the deficit by $1.9 million.

Mortality: An increase in the mortality assumption so that each member is one year younger would increase liabilities, increasing the plan deficit by $24.3 million.

9. Related party transactions

a) Administration

As indicated in *Note 10*, certain administration costs are paid by the Corporation.

b) Investments

	2013		2012	
	Investment fair value	**Investment income**	Investment fair value	Investment income
Province of Saskatchewan bonds	**$ 11,198**	**$ 545**	$ 12,387	$ 566
Province of Saskatchewan T-bills	**300**	**-**	-	-

10. Administrative expenses

The Superannuation (Supplementary Provisions) Act permits the Board to engage technical and professional advisers, specialists and consultants for the purposes of managing, investing and disposing of Plan assets, with the related costs to be paid by the Plan.

The costs to administer the Plan are borne by the Corporation and are therefore not reflected in the Plan financial statements. The costs typically paid for by the Corporation include audit and actuarial fees as well as general administration costs. However, investment management, custodial and consulting fees are paid by the Plan. In 2013, the Corporation paid $456 (2012 – $411) for costs relating to the Plan. These figures do not include salaries paid to employees of the Corporation who serve as staff advisors or administrators of the Plan and are not included in the table below.

	2013	2012
Investment manager fees	$ 3,147	$ 2,723
Custodian fees	251	274
Consulting fees	77	151
Board member training and development	24	29
Total administrative expenses	$ 3,499	$ 3,177

11. Investment performance

The investment manager makes the day-to-day decisions on buying or selling specific investments in order to achieve the long-term performance objectives set by the Board. The Board reviews the investment performance of the Plan in terms of the performance of the benchmark portfolio over a rolling four-year period. The Plan's benchmark has been determined using the actual returns of market indexes such as the DEX Long Bond Index; S&P/TSX Composite Index; Morgan Stanley Capital International, Europe, Australia, Far East Index; Morgan Stanley World Index; Russell 3000 Index; Investment Property Databank; and a Consumer Price Index plus acceptable return approach.

The Plan's objective for the active currency manager is to mitigate the impact foreign exchange rates have on the Plan. The Board has approved a benchmark hedge ratio of 50% of the portfolio of managed currencies (refer to *Note 6*) although the Manager has the discretion to hedge between 0% and 100% of the portfolio or managed currencies. The primary long-term investment objective for the entire portfolio is to out-perform a benchmark portfolio.

The following is a summary of the Plan's investment performance as provided by Aon Hewitt:

	2013		2012	
Rates of return (%)	Investment return	Investment benchmark return	Investment return	Investment benchmark return
Bonds	(6.0)	(6.2)	5.8	5.2
Canadian equity	19.9	13.0	9.3	7.2
United States equity	46.8	42.5	9.8	13.8
Non-North American equity	28.4	31.0	18.1	14.7
Global equity	39.6	35.2	20.6	13.7
Real estate	11.7	10.7	12.5	9.8
Infrastructure	18.4	6.3	12.8	5.9
Currency hedging [1]	(1.2)	n/a	0.5	n/a
Plan's actual rate of return	15.0	12.6	11.6	9.2
Four year rolling average return	9.4	9.3	9.0	9.2

1. This represents the impact of hedges on the total portfolio (calculated as the difference between the hedged and unhedged return).

12. Capital management

Regular employee and sponsor contributions received by the Plan ceased during 2013 as the last of the Plan's members attained their maximum 35 years of pensionable service. The Plan benefits from income and market value increases on its investments. The Plan's capital is invested in a number of asset classes including short-term investments, bonds, equities, real estate, infrastructure, and currency hedges. The Board has delegated the operational investment decisions to a number of different investment management firms through a number of different investment mandates as defined in the Plan's SIP&P.

13. Comparative Figures

Certain comparative figures have been restated to conform to the financial statement presentation adopted in the current year.

Five-year review

Financial position

(in thousands)

As at December 31	PART IV 2013	PART IV 2012	PART IV 2011	CGAAP 2010	CGAAP 2009
Assets					
Investments					
Short-term	**$ 2,429**	$ 2,761	$ 5,047	$ 4,847	$ 5,381
Bonds	**248,480**	261,986	260,225	254,074	239,202
Equities	**446,850**	389,251	382,818	420,583	398,398
Real estate	**55,231**	49,452	43,950	38,658	31,739
Infrastructure	**34,994**	37,689	29,909	23,678	21,963
	787,984	741,139	721,949	741,840	696,683
Receivables					
Accrued investment income	**2,079**	2,051	2,431	1,806	2,038
Currency hedging	**-**	-	1,322	225	-
Other receivables	**189**	1,059	362	26	4,923
Employees' contributions	**-**	2	8	15	27
Sponsors' contributions	**-**	2	10	20	32
	2,268	3,114	4,133	2,092	7,020
Cash	**1,333**	3,500	2,045	1,786	2,156
Total assets	**791,585**	747,753	728,127	745,718	705,859
Liabilities					
Currency hedging	**86**	107	-	-	-
Accounts payable and other liabilities	**902**	1,645	1,565	1,030	5,636
	988	1,752	1,565	1,030	5,636
Net assets available for benefits	**$ 790,597**	$ 746,001	$ 726,562	$ 744,688	$ 700,223
Pension obligations and deficit					
Pension obligations	**$ 893,618**	$1,035,998	$ 988,393	$ 891,497	$ 862,752
Deficit	**(103,021)**	(289,997)	(261,831)	(146,809)	(162,529)
Pension obligations and deficit	**$ 790,597**	$ 746,001	$ 726,562	$ 744,688	$ 700,223

Note: The 2013, 2012, and 2011 financial information disclosed was prepared in accordance with Canadian accounting standards for pension plans (Part IV). The 2010 and 2009 financial information disclosed was prepared in accordance with Canadian generally accepted accounting principles (CGAAP).

Five-year review

Changes in net assets available for pension obligations

(in thousands)

For the year ended December 31	PART IV 2013	PART IV 2012	PART IV 2011	CGAAP 2010	CGAAP 2009
Increase in net assets					
Investment income					
Interest					
Short-term	**$ 355**	$ 365	$ 107	$ 43	$ 58
Bonds	**10,653**	10,336	12,103	11,801	11,015
	11,008	10,701	12,210	11,844	11,073
Dividends	**14,879**	11,503	10,391	10,353	10,565
	25,887	22,204	22,601	22,197	21,638
Increase in fair value of investments	**91,238**	56,179	-	46,104	59,483
Increase in fair value of currency hedges	**-**	3,160	-	1,806	-
Contributions					
Employees'	**3**	104	379	737	1,313
Sponsors'	**4**	50	137	226	367
Other - sponsor	**-**	-	27,079	27,079	27,079
	7	154	27,595	28,042	28,759
Total increase in net assets	**117,132**	81,697	50,196	98,149	109,880
Decrease in net assets					
Decrease in fair value of investments	**-**	-	3,039	-	-
Decrease in fair value of currency hedges	**8,083**	-	7,608	-	-
Pension obligation payments	**60,848**	58,614	54,710	50,670	46,716
Refunds and transfers	**106**	467	118	204	19
Administrative expenses	**3,499**	3,177	2,847	2,810	2,614
Total decrease in net assets	**72,536**	62,258	68,322	53,684	49,349
Changes in net assets	**44,596**	19,439	(18,126)	44,465	60,531
Net assets available for benefits, beginning of year	**746,001**	726,562	744,688	700,223	639,692
Net assets available for benefits, end of year	**$ 790,597**	$ 746,001	$ 726,562	$ 744,688	$ 700,223

Note: The 2013, 2012, and 2011 financial information disclosed was prepared in accordance with Canadian accounting standards for pension plans (Part IV). The 2010 and 2009 financial information disclosed was prepared in accordance with Canadian generally accepted accounting principles (CGAAP).

Glossary

Active Plan member
Plan member making (or deemed to be making) regular contributions to the Plan, including those on an approved leave of absence (with or without pay), those receiving benefits from a short-term illness and injury plan or approved long-term disability plan, and those who are no longer required to contribute.

Actuarial assumptions
Estimates of future events that will affect a plan's obligation for future employee's benefits. Examples of these estimates are: discount rate, inflation, termination rates, retirement age, mortality, dependency status, future salary and benefit levels.

Actuarial valuation
Prepared by an actuary to determine the financial status of the Plan. It considers the value of Plan assets and determines whether the contribution rates are adequate.

Actuary
Professional trained in technical aspects of pensions.

Asset allocation
The dividing of assets among different categories such as equities, bonds and international investments.

Bridge benefits
A temporary pension to supplement the regular lifetime pension. Payable from the early retirement age; ending upon the age when full CPP and OAS benefits start.

Bonds
Long-term debt instrument from a company that provides regular interest payments to the bond-holder and repays the face value at maturity.

Consumer price index (CPI)
The consumer price index measures monthly and yearly changes in the cost of 300 goods and services commonly bought by Canadians. If the combined cost of this "basket" of items goes up, then there has been inflation. The greater the increase, the higher the inflation rate has become. The pension is indexed to the cost of living, and the consumer price index is one of the factors used to calculate annual cost of living increases for pension benefits.

Counterparty
An individual or organization with whom one transacts business.

Custodian
Holds assets for safekeeping for the Plan, may collect income and dividends and do simple reporting on assets. The custodian does not have fiduciary responsibility.

Deferred pension
A pension payable at a later date, either because the Plan member terminates employment before the earliest date at which the pension may begin, or because the Plan member chooses to have the pension commence at a later date. For example, a Plan member may choose to defer a pension in order to later receive an unreduced pension.

Defined benefit plan
Pension plan that provides a defined benefit based on a formula including factors such as years of service and average earnings.

Equities
Common stock or ownership in a company.

Fair value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market at the measurement date.

Funding
The systematic depositing of current service contributions and special payments into the pension fund.

Futures
Contractual agreements to either buy or sell an asset at a specified price and date in the future.

Governance
The decision-making structures and supporting policies and procedures that enable an organization to achieve its pension objectives and discharge its pension obligations to its legal owners and others.

Index
Method of measuring the investment manager's performance through benchmarks of similar assets.

Investment advisor
Provides analytical review of the total fund, asset classes and the investment managers' performance, relative to peers and Plan benchmarks.

Investment manager
Devises and implements an investment strategy within mandates.

Median
The middle of a distribution: half the scores are above the median and half are below the median.

Money market
A market for short term debt instruments.

Notional value
Amount to which a rate or price is applied in order to calculate the exchange of cash flows.

Plan
Power Corporation Superannuation Plan.

Plan sponsor
Employer sponsoring the pension plan.

Pooled funds
Group of individual securities managed by an investment manager.

Securities
Stocks, bonds and notes that give evidence to and assure the fulfillment of a commitment.

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SaskPower | Tanya Romanow
Total Compensation
Phone: (306) 566-2177
Fax: (306) 566-2590
E-mail: tromanow@saskpower.com
Mail: 10W - 2025 Victoria Avenue
Regina, Saskatchewan, Canada S4P 0S1
saskpower.com

SaskEnergy | Hazel Tempel
Compensation & Benefits
Phone: (306) 777-9957
Fax: (306) 781-7050
E-mail: htempel@saskenergy.com
Mail: 800 - 1777 Victoria Avenue
Regina, Saskatchewan, Canada S4P 4K5